
STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY)	
)	
Petition for declaration of service currently)	
provided under Rate 6L to 3 MW and greater)	
customers as a competitive service pursuant to)	Docket No. 02 - _____
Section 16-113 of the Public Utilities Act and)	
approval of related tariff amendments.)	

Direct Panel Testimony of

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and

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Commonwealth Edison Company

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1 **Q. Please state your names and business addresses.**

2 A. My name is Paul Crumrine. My business address is 227 W. Monroe, 9th floor, Chicago,
3 IL 60606.

4 My name is Dennis Kelter. My business address is also 227 W. Monroe, 9th floor,
5 Chicago, IL 60606.

6 **Q. Mr. Crumrine, by whom are you employed and what is your title?**

7 A. I am employed by Commonwealth Edison Company (“ComEd” or the “Company”) as
8 Director, Regulatory Strategies & Services.

9 **Q. Please describe your educational background and business experience.**

10 A. I have a Bachelor of Science degree in Mathematics and a Master of Science degree in
11 Management from Purdue University. From 1998 to 2000, I was Director, Access
12 Implementation. In that position I had managerial responsibility for the development of
13 ComEd’s delivery services tariffs and other tariffs necessary to successfully implement
14 open access in the ComEd system. From February 1994 to March 1998, I served as
15 ComEd’s Director of Rates. Prior to February 1994, I served as ComEd’s Director of
16 Strategic Analysis. In that position I was responsible for directing the Company’s load
17 forecasting, class load, and economic analyses. Before that I was ComEd’s Senior
18 System Rate Economist responsible for the preparation and analysis of the Company’s
19 marginal cost of service study. I was also involved in work related to rate design.

20 Prior to becoming ComEd’s Senior System Rate Economist, I held a staff position in the
21 Strategic Analysis Department as a member of the load forecasting staff with
22 responsibilities for econometric and time-series forecasting, as well as related statistical

research projects. In addition, I have been employed as a computer analyst at ComEd's Operations Office as well as the Mid-America Interconnected Network headquarters.

Q. What are your current duties and responsibilities as Director, Regulatory Strategies & Services?

A. I am responsible for managing and directing the activities of ComEd's Regulatory Strategies & Services Department. In this capacity, I am responsible for maintaining and coordinating ComEd's regulatory relationship with the Illinois Commerce Commission ("ICC" or "Commission") and its staff. I also manage activities relating to ComEd's coordination of its responses to formal customer complaints made to the ICC and am responsible for the analysis of strategic policy options for ComEd's distribution business.

Q. Mr. Kelter, by whom are you employed and what is your title?

A. I am employed by ComEd as a Senior Regulatory Specialist in the Regulatory Strategies & Services Department.

Q. Please describe your educational background and experience.

A. I have a Master of Science degree in Mineral Economics from the Pennsylvania State University and graduated summa cum laude from the University of Wisconsin – Whitewater with a Bachelors of Science degree in economics. I have been employed by ComEd for twenty years. During that time I have been held numerous positions involving load forecasting, fuel procurement, rate design, cost of service studies, corporate planning, and regulatory matters.

Q. Please describe your current duties and responsibilities.

A. I coordinate and provide input on the various regulatory issues facing the Company and, likewise, participate in regulatory proceedings and workshops.

Q. What are the purposes of your testimony in this proceeding?

A. The purposes of our testimony are to:

1. Describe in detail the customer group affected by ComEd's proposal;
2. Summarize the evidence that demonstrates that customers in that group have actively exercised choice to obtain the reasonably equivalent services at comparable prices that are presently available from alternative suppliers; and
3. Describe the effect that ComEd's Petition will have on those customers.

Overview Of Proposal And Supporting Evidence

Q. What is ComEd requesting in its Petition?

A. ComEd is seeking a declaration, pursuant to Section 16-113 of the Electric Service Customer Choice and Rate Relief Law of 1997 (the "Restructuring Act"), that Rate 6L – Large General Service ("Rate 6L") is competitive for customers with demands of 3,000 kilowatts (*i.e.*, 3 MW) or greater and approval of the related tariff amendments.

Q. Why does ComEd believe that such a declaration is appropriate at this time?

A. Because, as many of the attachments show, the customers in question have overwhelmingly demonstrated their willingness and ability to find and utilize the many competitive alternatives that are available to them. For example, Attachment PRC/DFK-1 demonstrates that, after just over two-and-one-half years of choice, more than 70% of the customers in the 3 MW or greater group that are eligible to take bundled

65 service under Rate 6L (as defined in the Petition) have opted for an unbundled
66 alternative. By this, we mean that those customers are taking unbundled delivery service
67 under Rate RCDS – Retail Customer Delivery Services (“Rate RCDS”) and unbundled
68 electric power and energy under ComEd’s Rider PPO – Power Purchase Option (“Rider
69 PPO”), Rider ISS – Interim Supply Service (“Rider ISS”), or from a Retail Energy
70 Supplier (“RES”). And, of those 266 customers, nearly 44% are currently taking service
71 from a RES not affiliated with ComEd.

72 **Q. Are services reasonably equivalent to those provided under Rate 6L reasonably**
73 **available to customers in the 3 MW or greater group at comparable prices from one**
74 **or more providers not affiliated with ComEd?**

75 A. Yes. As the foregoing attachments show, and as we discuss in more detail below, not
76 only are such services available, but large numbers of customers in the 3 MW or greater
77 segment are taking those services from non-affiliated alternative suppliers now. The very
78 fact that significant numbers of customers in the 3 MW or greater segment have chosen
79 to take RES-supplied electric power and energy confirms the competitiveness of the
80 alternative offerings already available to these customers. That fact also confirms that the
81 combination of unbundled delivery services and RES-supplied power and energy is
82 reasonably equivalent to bundled service under Rate 6L. With further impetus from a
83 competitive declaration with respect to this service, the array of competitive offerings to
84 the affected customers should only increase.

85 **Q. Has ComEd lost business for the services provided pursuant to Rate 6L to other**
86 **providers?**

87 A. Without question. Of the 373 customers expected to be affected by this proposal based
88 on 2001 information, 117 customers, representing 4,545 GWhs of consumption on an
89 annual basis, have moved from ComEd to non-affiliated RES-supplied electric power and
90 energy as of the June 2002 monthly billing period. In addition, although not precisely
91 parallel, ComEd's most recent report filed pursuant to Section 16-130 of the Public
92 Utilities Act indicates that in 2001, ComEd lost almost \$200 million in revenue from
93 customers in the 3MW or greater segment as a result of those customers opting to take
94 unbundled service. (Tables B-1 through B-3 of ComEd's Fourth Annual Report to the
95 Illinois Commerce Commission Under Section 16-130 of the Illinois Public Utilities Act,
96 March 1, 2002, are attached as PRC/DFK-2.)

97 **Customers In The 3 MW Or Greater Group**

98 **Q. How many "customers" are the 3 MW or greater group?**

99 A. Based on 2001 information, an estimated 373 separate customer locations have total peak
100 period half-hour demands of 3 MW or more. In accordance with tariff definitions, these
101 separate customer locations are identified as separate customers, although in some cases a
102 single firm may operate several separate locations. These customers use 14,441 GWhs
103 on an annual basis and represent approximately 24% of ComEd's total nonresidential
104 energy deliveries. The average demand of these customers is approximately 8.2 MW,
105 with 64 of the 373 customers having demands greater than 10 MWs as of the time of this

review. In the aggregate, these customers represent approximately 2,500MW of coincident demand.

Q. Please describe the means by which you identified the customers in the 3 MW or greater group for the purposes of your testimony.

A. Using 2001 data, we identified those customers whose total peak period demand has reached or exceeded 3 MW in three or more separate billing months during that calendar year. This is the same general methodology used to determine whether customers qualify for Rate 6L today. As ComEd witness Lawrence Alongi explains in his testimony, it is also the methodology that ComEd proposes to apply in February 2003 (using 2002 data) to identify the customers that will be initially affected by implementation of a competitive declaration and the corresponding tariff amendments to Rate 6L that would become operational with the June 2003 monthly billing period.

Q. In what types of businesses are the 3 MW or greater customers involved?

A. We have identified the nature of the affected customers' businesses by matching them to a Dun & Bradstreet database, along with other internal information, to determine the Standard Industrial Classification ("SIC") codes into which the customers' operations are classified. Attachment PRC/DFK-3 shows that most of the customers in the 3 MW or greater group are engaged in manufacturing, but the financial and services sectors also have noteworthy representation.

The Potential Choices Available to These Customers And How They Have Been Used

Q. What tariffed choices are available to customers in the 3 MW or greater group today?

A. These customers have an array of tariffs available to them. First, they may purchase the all-inclusive traditional bundled service, most commonly under the Rate 6L tariff with various available riders, although a few customers remain on existing special contract arrangements. Second, they may opt to purchase unbundled delivery services under ComEd's Rate RCDS. Electing such delivery services permits customers to obtain unbundled electric power and energy either from a RES or from ComEd pursuant to Rider PPO. Lastly, customers can take service under ComEd's Rate HEP – Hourly Energy Pricing ("Rate HEP").

Q. What other choices are available to these customers?

A. The customers in this group have historically exhibited the greatest amount of flexibility in their purchase and usage of electricity. In addition to the options offered by RESs, customers in the 3 MW or greater group also can – and, as we discuss below, frequently do – take advantage of curtailment programs and other demand-side management ("DSM") services. Plus, customers can install on-site generation to generate their own electric power and energy.

Q. How many of the customers in the 3 MW or greater group have participated in curtailment programs?

A. Approximately 80% of the 373 customers in the 3 MW or greater group are participating in curtailment programs this year. The expected load involved represents approximately

15% of the total peak demand of the customers in the 3 MW or greater group. This high level of participation in curtailment programs is a significant indicator of this customer group's ability to actively manage their electrical needs.

Q. Why is that?

A. Customers, like those in the 3 MW or greater group, that widely participate in curtailment programs generally have a good understanding of their energy needs and how to manage them to their economic benefit. ComEd has proactively worked with customers to educate and enlist their participation in curtailment programs. This effort has raised the awareness in these customers of curtailment programs, and has resulted in customers understanding better how they use electric power and energy on both a temporary and permanent basis. In general, curtailment programs permit customers to manage their loads based on short-term price signals. As noted, many of these customers also use these same plans to implement energy saving activities every day by coordinating their usage to affect changes to their electricity demand and consumption. As a result, customers enjoy both the payments they receive from participating in curtailment programs and the savings realized by reducing their overall usage. These customers are very adept at adjusting their use of energy based on both short-term and long-term price signals. With such expertise, they are well equipped to manage their economic interests in the competitive energy marketplace.

166 **Q. Have any of the 3 MW or greater customers also purchased energy monitoring**
167 **equipment in order permit them to better manage their electrical usage?**

168 A. Yes. ComEd itself has installed Energy Tracker monitoring systems at 142 of the 373
169 customers in the 3 MW or greater group. Energy Tracker is an on-site power monitoring
170 system that provides customers with real-time information on their electrical usage. In
171 addition, 241 customers in the 3 MW or greater group receive ComEd's Energy Insight
172 Online product, which is a web-based tool that permits customers to study their usage
173 profile based on recent billing data. Given that the foregoing numbers reflect only
174 systems or services that ComEd has installed or provides, and do not include energy
175 monitoring systems customers have purchased from other providers, it is clear that a very
176 high percentage of the customers in the 3 MW or greater segment have taken active steps
177 to better understand and manage their electricity usage.

178 **Q. Please describe how you have categorized the choices exercised by customers in the**
179 **3 MW or greater group in Attachment PRC/DFK-1?**

180 A. We subdivided the customers in the 3 MW or greater group into the following three
181 categories:

182 1. "Bundled" – those customers taking Rate 6L bundled service, with or without an
183 optional rider or a special contract;

184 2. "PPO/Other" – those customers taking delivery services and receiving electric power
185 and energy from ComEd under either Rider PPO or Rider ISS, or from ComEd's
186 affiliated RES, Exelon Energy Company; and

187 3. “Unaffiliated RES” – those customers taking delivery services and receiving electric
188 power and energy from a RES that is not affiliated with ComEd.

189 In essence, these categories represent the customers’ general tariff choices. However, we
190 combined the affiliated RES customers with the PPO figures in order to maintain the
191 confidentiality of certain proprietary information. Attachment PRC/DFK-4 contains the
192 underlying data used to prepare Attachment PRC/DFK-1 in tabular form. In
193 PRC/DFK-4, the customers in the 3 MW or greater group have been further classified
194 based upon the bundled rate used in the determination of their Customer Transition
195 Charge (“CTC”). The underlying information used to prepare PRC/DFK-1 and
196 PRC/DFK-4, which shows a breakdown of the “PPO/Other” category described above,
197 has been provided to the Commission’s staff.

198 **Q. What does Attachment PRC/DFK-1 show?**

199 A. Attachment PRC/DFK-1 shows, in graphic form, the number of customers among the 373
200 customers in the 3 MW or greater group that fall into the aforementioned three
201 categories. Because it is based on data as of the June 2002 billing period, PRC/DFK-1
202 reflects many of the recent decisions being made by customers in the current Applicable
203 Period A (June 2002 – May 2003). As noted above, PRC/DFK-1 makes quite clear that a
204 vast majority of the customers in the 3 MW or greater group – approximately 70% – have
205 already opted to take unbundled service with many of those customers – 44% - taking
206 service from an unaffiliated RES. Of the entire 3MW or greater group, 31% are taking
207 service from an unaffiliated RES. Only 29% remain on bundled service.

Q. How many different non-affiliated RESs are serving customers in the 3 MW or greater group?

A. As of the June 2002 monthly billing period, five non-affiliated RES were directly serving customers in the 3 MW or greater group in ComEd's service territory.

Q. Are there other RESs other than these five suppliers?

A. Yes, there are another six RESs, for a total of eleven, that have been certified by the ICC and have passed the certification and testing process required by ComEd to deliver electric power and energy to customers within the ComEd service territory. Those eleven RESs are:

1. AES Central Illinois Light Company;
2. AES NewEnergy, Inc.;
3. AmerenCIPS;
4. Ameren Energy Marketing Company;
5. Dynegy Energy Services, Inc.;
6. Exelon Energy Company;
7. Illinois Power;
8. MidAmerican Energy Company;
9. Nicor Energy, LLC.;
10. Peoples Energy Services Corporation; and
11. Sempra Energy Solutions.

Notably, the number of RESs that have passed ComEd's certification and testing requirements has increased with time, a trend that appears likely to continue. In fact, two

of the eleven RESs completed the testing and certification process earlier this year, and there is one additional RES application pending approval. The growth in the number of RESs is a very positive sign for the continued development of competition.

In addition, there are several other RESs that have been certified by the ICC, but that are not yet – but could quickly become – active in ComEd’s service territory. These potential entrants include firms such as CMS Marketing, Services and Trading Company; EnerStar Power Corp.; Sempra Energy Trading Corp.; and South Beloit Water, Gas & Electric Co. Each of these firms has been approved by the ICC to serve customers greater than 1 MW in size within ComEd’s service territory. In short, there is a significant group of RESs that can serve the customers in the 3 MW or greater category.

Q. How much electric power and energy are RESs flowing to their customers in ComEd’s service territory?

A. The recently completed Mid-American Interconnection Network, Inc. report entitled “Load and Resources Audit Summer 2002,” a copy of which is attached as PRC/DFK-5, shows that RESs estimate that they will supply approximately 2,400 MWs to customers within ComEd’s service territory this summer.

Q. Do the five non-affiliated RESs that are actively serving the 3 MW or greater customers have an equal number of customers?

A. No, two of the non-affiliated RESs have a much larger number of 3 MW or greater customers than the other three. This distribution is not surprising, however, because one would expect different RESs to concentrate on different customer segments. It is understandable, too, that some RESs have been more successful with particular customer

segments than other RESs. Of primary importance is the fact that a significant number of RESs have found the market attractive enough to make the necessary investment to enter and are now willing and able to serve the 3 MW or greater customers (and others).

Q. If Exelon Energy Company were included with the other RES customer data, would it be the RES with the largest number of 3 MW or greater customers?

A. No.

Q. What percentage of the 107 customers taking bundled service shown on PRC/DFK-1 are taking service under a “special contract”?

A. Slightly over 10% of the bundled service customers shown on PRC/DFK-1 are currently taking service under what are commonly referred to as special contracts. In the past, there were more customers taking service under such special contracts, but those contracts have now expired. Of the 3 MW or greater customers that have previously taken service under special contracts, over 80% are now taking unbundled services.

Q. Do the 3 MW or greater customers taking service under special contracts have competitive choices?

A. Yes. In fact, those customers had significant competitive alternatives even before the Restructuring Act was implemented. A showing of the availability of such competitive alternatives to those customers was a prerequisite to their being able to take service under special contract in the first instance. Typically, the competitive alternative was the economical provision of on-site generation as an alternative to ComEd service.

272 **Q. What further insight can you provide regarding the other customers that are**
273 **currently taking service under bundled service rates?**

274 A. Customers select bundled service for a variety of reasons. Thus, one cannot simply
275 attribute a customer's decision to take bundled service as an indication that the customer
276 is unaware of, or ill-equipped to make, appropriate choices. It may, however, take time
277 for a customer to evaluate those choices. What is very clear is that the economics for
278 open access (as we discuss more fully below) during the current Applicable Period A,
279 which is defined in Rate CTC, are very favorable to these 3 MW or greater customers.
280 Thus, we expect many of the current bundled service customers to reevaluate their past
281 decisions and move into open access as time passes.

282 As shown in Attachment PRC/DFK-6, customer participation in open access has been
283 very strong in the ComEd service territory, especially among the larger customers.
284 Further, the trend for open access participation has steadily increased over time. *See*
285 PRC/DFK-7. Thus, the outlook for open access participation is very positive.

286 **The Impact Of ComEd's Proposal**

287 **Q. What immediate impact will ComEd's proposal have on customers in the 3 MW or**
288 **greater group that take service under Rate 6L?**

289 A. Acceptance of ComEd's proposal will have little or no *immediate* effect on the customers
290 in the 3 MW or greater group. As is explained in the testimony of ComEd witness Arlene
291 Juracek, ComEd proposes to delay operational implementation of the related tariff
292 changes until the June 2003 monthly billing period. At that point, those customers taking
293 service under Rate 6L will be able to continue receiving service on Rate 6L for a full

three years, until the June 2006 monthly billing period. Thus, these customers will be able to stay on the frozen rates under Rate 6L, if they so choose, for all but six months of the mandatory transition period. Even absent this proposal, these customers would be compelled to reevaluate their supply options in 2006 in light of the impending end of the mandatory transition period.

Q. Given that relatively long time frame, why is it important to declare Rate 6L competitive now for the 3 MW or greater customers?

A. The primary advantage to moving forward with this declaration now is that it provides enhanced certainty to all market participants as to what tariff options will be available as the end of the mandatory transition period approaches. Customers, RESs, and ComEd itself can better plan with this enhanced certainty. Furthermore, it will validate and strengthen the already strong momentum towards full competition in ComEd's service area that exists today by encouraging the best-equipped customers to manage their own risks.

Q. Why does ComEd believe that customers in the 3 MW or greater group are well positioned to protect their interests on a going-forward basis in a competitive marketplace?

A. These customers are well positioned to protect their interests because they have already demonstrated the ability to do so. They have taken advantage of the many energy choices already available to them, and with improved switching economics that now prevail, this trend should increase.

Historically, these customers have supported competition in the Illinois electric industry and have put valuable resources behind the effort to promote it. They have the expertise and skilled personnel to take advantage of the opportunities competition has to offer, and the infrastructure to absorb fluctuations in cost if need be. Overall, these attributes ensure that the economic interests of customers in the 3 MW or greater group will be well served in a competitive environment.

Q. You suggested that “switching economics” have improved. Are unbundled services more attractive this year (i.e., the Applicable Period A beginning June 2002) than they were last year (i.e., the Applicable Period A beginning June 2001)?

A. Yes. Market value energy charges, which are calculated in accordance with Rider PPO and are used for purposes of calculating charges under the PPO as well as CTCs, have decreased for the current Applicable Period A (June 2002 – May 2003) compared to last year (June 2001 – May 2002). Because of lower market values applicable during the current Applicable Period A, almost all of the customers in the 3 MW or greater segment will have a positive CTC, allowing them to have the opportunity to capture the full “mitigation factor” savings, which increases to 10% effective January 1, 2003, if they take delivery services. As a result, we expect the number of customers participating in open access to continue its upward trend, as shown in the graph attached as PRC/DFK-7.

Q. What impact will ComEd’s proposal have on the customers presently taking service under special contract?

A. ComEd’s proposal will have little *immediate* impact on customers taking services under special contracts. As their contracts expire – and over half of them are set to expire

before the end of 2005 – these customers will likely opt for unbundled services. Because these customers are entitled to retain the benefit of the contract price in the determination of their CTC, it is reasonable to expect that customers whose contracts expire will take unbundled service rather than pay more by remaining on Rate 6L. This proposal will not significantly change that expectation, except by clarifying what services will be available in the long-term and by encouraging the development of even more competitive options for those customers to consider at the time their contracts expire.

Q. What alternative tariffed bundled service will ComEd make available to customers affected by its Petition?

A. In the absence of Rate 6L, customers with loads of 3 MW or greater can obtain bundled electric service from ComEd's under the Company's existing bundled hourly energy pricing rate – Rate HEP. ComEd does not anticipate a large demand for Rate HEP as an alternative service because more attractive products containing greater levels of risk hedging should be available from RESs. Nevertheless, the continued availability of Rate HEP will ensure that customers will be able to obtain bundled electric service at market-based rates should they so wish.

Q. How do a customer's costs under Rate HEP compare to the costs to receive service under Rate 6L?

A. A customer's costs under Rate HEP may be higher, or they may be lower, than its costs to receive service under Rate 6L. Because Rate HEP is spot market-based, it is impossible to predict with certainty. However, this tariffed alternative service is not intended to eliminate this uncertainty because it is precisely such uncertainty that will

spur customers to seek, and encourage RESs to provide, innovative hedging products that appropriately balance the costs and benefits of market exposure. Present-day, fixed-price bundled service offerings like Rate 6L, on the other hand, discourage the development of such products.

Q. Please explain why fixed-price bundled service offerings like Rate 6L impede the development of competitive alternatives.

A. Fixed-price bundled service offerings like Rate 6L inhibit the development of competitive alternatives in several ways. First, fixed-price bundled service offers can become a sort of institutionalized insurance policy that shields both customers and their suppliers from risks that they would otherwise need to proactively manage. This, of course, is not the purpose for which those rates were put into effect. If the Commission does not limit the availability of such offerings when they are no longer needed, ComEd will be forced to incur quantity risks for which it will not be compensated. In contrast, RESs do not, and will not, face a similar risk because they have to serve only the customers that they choose. Second, in order to be in a position to serve customers that may return to fixed-price offers like Rate 6L at any time, utilities like ComEd are forced to retain transmission and generating plant capacity that could otherwise be made available to the competitive marketplace.

Thus, if the largest and most able customers were required to manage their own risks rather than rely on the option to return to fixed-price bundled service, those customers will demand that the competitive market provide them with new and better alternatives.

Given their size, the RESs are very likely to respond quickly to their needs. And with more resources available, they will be better able to do so.

Conclusion

Q. Please summarize your testimony.

A. Our testimony strongly supports the Commission declaring competitive Rate 6L for the 3 MW or greater customer segment. The evidence of competitive switching alone provides convincing support for this declaration. Over 70% of the 3 MW or greater customers have already elected to take unbundled services. Of those, 44% are taking unbundled electric power and energy from a non-affiliate RES, of which there are many that are willing and able to serve customers in this group. It is our belief that the Commission should validate and support this strong momentum towards full competition by approving ComEd's Petition.

Q. Does this conclude your direct testimony?

A. Yes.